

DE 03-079

GRANITE STATE ELECTRIC COMPANY

Petition for Approval of Rates Default Service Rates from
May 1, 2003 through April 30, 2004

Order Approving Default Service Rates

O R D E R N O. 24,163

April 25, 2003

Appearances Laura S. Olton of Granite State Electric Company; and Suzanne Amidon, Esq. for the Staff of the New Hampshire Public Utilities Commission.

I. PROCEDURAL BACKGROUND

On March 28, 2003, Granite State Electric Company (Granite State) filed with the New Hampshire Public Utilities Commission (Commission) a petition for approval of Default Service rates for the period from May 1, 2003 through April 30, 2004. The petition consisted of prefiled testimony of John D. Warshaw, Principal Analyst in Energy Supply-New England for National Grid USA Service Company (National Grid), of which Granite State is subsidiary, and accompanying schedules setting forth the Default Service rate proposal. In addition, Granite State filed a motion for confidential treatment of the Power Supply Agreement between Granite State and Constellation Power Source, Inc. for the provision of Default Service.

Granite State represents that, in accordance Order No. 23,393 (January 27, 2000) and RSA 374-F:3, V(c), Granite State issued a request for proposal (RFP) on February 6, 2003, to

approximately thirty competitive electric suppliers for Default service for the period May 1, 2003 through April 30, 2004. The RFP required that the bidders provide pricing and be willing to service both the Granite State's Default Service requirements and the "Standard Service 3" requirements of its Massachusetts affiliates, Massachusetts Electric Company and Nantucket Electric Company. Granite State asserts that because of the small size of its Default Service load,¹ it made sense for Granite State to "piggy-back" its supply procurement with other ongoing procurement activities, as it has done in the past. (Exh.1 at 4)

In addition, successful bidders had to submit the lowest cost to all customers (including the Massachusetts affiliates) and have an investment grade rating equal to or better than BBB- as assigned by Standard and Poor's Rating Group, or equal to or better than Baaa3, as assigned by Moody's Investor Services. Granite State stated that in the event a supplier credit rating fell below investment grade, other types of credit

¹ In its filing for Default Rates for the period of July 1, 2002 through April 30, 2003, Granite State represented that it had four customers taking default service. *Granite State Electric Company*, Order No 24,000, (June 27, 2002), slip op. at 2. In its testimony before the Commission, Granite State said that that number was presented in error. In fact, at that time, and as of the time of this filing, Granite State has only one customer taking default service. Hearing Transcript of April 15, 2003 (Docket No. 03-079) at 17, lines 9-18.

support could be provided in the form of a guarantee from an investment grade rated company, a letter of credit or cash posting for the term of the service.

As a result of the competitive bid process, Granite State chose one supplier, Constellation Power Source, Inc., (Constellation) as its wholesale supplier for Default Service through the subject period. Pursuant to the contract, Granite State would procure wholesale Default Service power at a price that varies by month. The equivalent retail rates filed by Granite State will range from a high of \$00.08408/kWh (August, 2003) to a low of \$00.05605/kWh (April, 2004) for the contract term. Ex 1, Schedule JDW-5. The following table displays the rates on a monthly basis.

Month	\$/kWh
May 2003	0.07744
June 2003	0.07674
July 2003	0.08408
August 2003	0.08041
September 2003	0.06637
October 2003	0.06297
November 2003	0.06329
December 2003	0.06572
January 2004	0.06982
February 2004	0.06756
March 2004	0.05972
April 2004	0.05605

These rates represent an increase of approximately 35% over the rates for Granite State Default Service in the year July 1, 2002 through April 30, 2003. These rates represent the Default Service rates for all classes of customers.

Granite State proposes to bill its customers on a bills rendered basis using a rate calculated on the basis of a 15-day pro-ration. Under this proposal, customers billed for Default Service in any given month would have their bill calculated assuming 15 days of usage in the present month and 15 days of usage in the prior month. Granite State asserts that the use of this methodology, which was previously approved by the Commission in Order No. 24,000 (June 27, 2002), would mitigate some of the price fluctuation and dislocation that would otherwise result if Default Service customers were billed based solely on the contract price in the month that their bill is rendered.

Granite State asserted that Constellation had satisfied the creditworthiness requirement by presenting a guarantee from Constellation's parent company.

The Commission issued an Order of Notice on April 7, 2003 establishing a procedural schedule in this docket. Pursuant to the Order, Staff submitted data requests to Granite State which provided responses on April 11, 2003. Granite State filed a motion for confidential treatment of the supply service

contract with Constellation on March 27, 2003, and filed a second motion for confidential treatment of some of the responses to data requests on April 11, 2003.

The Commission held a hearing on this docket on April 15, 2003. At the hearing, Granite State testified that the increase in their proposed Default Service rates reflected the approximate increase in price for natural gas and oil over the past year. Granite State testified that the increase resulted from an uncertain global market for these products and severe weather of the past winter. The Commission noted that the winning bidder offered the lowest prices to the Massachusetts affiliates, but only the second lowest prices to Granite State's Default Service customer. Granite State testified that the RFP required service to all customers at the lowest possible prices. When the lowest bidder was asked if it could supply Granite State only, the bidder declined. Because Massachusetts affiliates have approximately 20,000 Standard Offer Service 3 customers, and Granite State has one default customer, the bid was awarded to Constellation, which offered overall the lowest prices, consistent with the RFP.

On April 18, 2003, the Commission issued post-hearing record requests regarding National Grid's procurement of Default Service supply for its Default Service customers in Massachusetts to determine if Granite State's Default Service could have been

supplied through that process. Responses to the post hearing record requests stated that the Massachusetts Department of Telecommunications and Energy requires Massachusetts utilities to bid Default Services on both customer class and Locational Market Zone. In addition, Granite State stated whereas its past practice was to seek a single, low-bidding supplier for New Hampshire, Massachusetts, and Rhode Island, the Default Service customer base had grown to such an extent that the a single supplier could not serve the entire load. *Post Hearing Record Request Response 2*. Granite State testified that combining the RFP for Default Service supply with its Massachusetts affiliates Standard Offer Service 3 was the best way to solicit supply for its small Default Service load because of the small size of the Default Service load and the similarity of the requirements (i.e. load-following service, and uniform pricing across customer classes). Granite State noted that the supply obtained for its Massachusetts affiliate produced comparable Default Service rates. *Post Hearing Record Request Response 1*.

II. COMMISSION ANALYSIS

Granite State has used the same methods to procure Default Service here as it used in earlier procurements. The procurement method and resultant rates appear consistent with RSA 374-F:3, V(c). Although the proposed rates submitted by Granite State in this docket are approximately 35% higher than those

requested in the immediate prior year, the Commission finds that these prices reflect price trends in natural gas, oil, and wholesale electric markets. The Commission finds that combining the Default Service load of Granite State with that of its Massachusetts affiliates in the RFP is a reasonable procurement practice. This practice is reasonable at this time, given the small number of Default Service customers, and the fact that New Hampshire is not yet structured to allow solicitation of Transition or Default Service across all New Hampshire utilities. With the recent implementation of nodal pricing as part of ISO-NE's standard market design, this is one alternative which merits exploration so as to ensure that New Hampshire customers enjoy the nodal prices associated with our State rather than be responsible for those of neighboring states. Accordingly, we find the approved RFP process and the resulting rates to be reasonable.

As to the motions for confidential treatment, the Commission recognizes they are the same types of request that the Company has made in previous Default Service dockets with regard to power supply contracts. In DE 99-205, Order No. 23,476 (May 15, 2000), we determined that wholesale price bids of the type at issue in this case contain "confidential, commercial or financial information" and concluded that under the balancing test we have applied in prior cases, e.g., *RE NET (Auditel)*, 80 NH PUC 437

(1995), *Re Eastern Utilities Associates*, 76 NH PUC 236 (1991) the benefits of non-disclosure outweigh the benefits to the public of disclosure.

In this particular case, Granite State contends that the information contained in the contract and in the responses to data requests for which confidential treatment is requested includes competitive energy pricing information, and that such information is commercially sensitive, which if disclosed would be harmful to Constellation's competitive position. The Company further stated that the release of such information would chill the willingness of Constellation to participate in providing energy services in New Hampshire in the future. It further states that the parties to the contract have taken steps to avoid disclosure of this information, and the disclosure of such information could adversely affect the business position of the parties in the future.

With respect to its motion regarding the responses to Staff Data Requests 1-2, 1-6, 1-13 and 1-16, Granite State maintains that the information elicited by those requests includes energy pricing and contract terms proposed by competitive energy suppliers, and that such information is commercially sensitive and could harm the competitive position of such suppliers and chill their willingness to participate in providing energy services in New Hampshire in the future.

In addition, Granite State moves for confidential treatment of responses to Staff Requests 1-2 and 1-9 which elicit customer-specific information which, if released, would likely constitute an invasion of privacy for such customer and cites Puc 204.06(c)(2) in support of its motion for confidential treatment of such information.

The Commission agrees that all information for which Granite State seeks confidential treatment is confidential as it is within the exemptions permitted by RSA 91-A:5, IV. Accordingly, we will treat the contract and the Responses to Staff Requests 1-2, 1-6, 1-13, 1-16 and 1-9 as confidential.

Based upon the foregoing, it is hereby

ORDERED, the Granite State's Default Service rates are approved at the monthly rates set forth in this filing for the period May 1, 2003 through April 30, 2004; and it is

FURTHER ORDERED, that in the event Granite State seeks to provide Default Service after April 30, 2004 on terms different than it has in the past, it shall file a request for modification of its Default Service offering with the Commission by January 1, 2004; and it is

FURTHER ORDERED, that Granite State's motion for confidential treatment of the contract between Granite State and Constellation is approved; and it is

FURTHER ORDERED, that Granite State's motion for confidential treatment of its responses to Staff Requests 1-2,1-6, 1-13, 1-16 and 1-9 is approved; and it is

FURTHER ORDERED, that the determination as to protective treatment made herein is subject to the ongoing authority of the Commission, on its own motion or on the motion of Staff, any party or any other member of the public, to reconsider this Order in light of RSA 91-A, should circumstances so warrant; and it is

FURTHER ORDERED, that Granite State shall file a revised tariff page reflecting the terms of this Order with the Commission on or before May 14, 2003.

By order of the Public Utilities Commission of New Hampshire this twenty-fifth day of April, 2003.

Thomas B. Getz
Chairman

Susan S. Geiger
Commissioner

Nancy Brockway
Commissioner

Attested by:

Debra A. Howland
Executive Director & Secretary